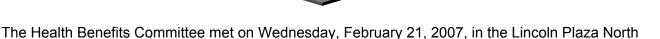


CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM BOARD OF ADMINISTRATION HEALTH BENEFITS COMMITTEE MEETING MINUTES

February 21, 2007



The meeting was called to order at 10:20 a.m. with the following members present:

George Diehr, Chair Priya Mathur, Vice Chair Marjorie Berte John Chiang Rob Feckner Debbie Endsley representing David Gilb Steve Coony representing Bill Lockyer Tony Oliveira Charles Valdes

Building, 400 Q Street, Sacramento, California.

Other Board members present:

Robert Carlson Kurato Shimada Maeley Tom

AGENDA ITEM 2 – ANNOUNCEMENT OF CLOSED SESSION TO DISCUSS 2008 HEALTH PLAN CONTRACT NEGOTIATIONS

The Chair announced that a closed session would be held upon conclusion of the Health Benefits Committee Open Session, to discuss 2008 Health Plan Contract Negotiations.

AGENDA ITEM 3 – APPROVAL OF THE DECEMBER 19, 2006, HEALTH BENEFITS COMMITTEE MEETING MINUTES

The December 19, 2006, Health Benefits Committee meeting minutes were approved as presented.

AGENDA ITEM 4 – STATE LEGISLATIVE PROPOSAL: ACTUAL PROVIDER CLAIMS PAYMENT INFORMATION

As an action item, Wendy Notsinneh, Chief, Office of Governmental Affairs, presented a recommendation that the Board sponsor legislation that will require health benefit plans contracting with CalPERS to provide it with actual provider claims payment information for all member health care services rendered at the individual level, including the provider contract allowance amounts.

On **MOTION** by, Charles Valdes, **SECONDED** and **CARRIED**, the Committee recommended the Board approve recommendation to sponsor legislation that will require contracting health plans to provide CalPERS with actual provider claims payment information for all member health care services rendered at the individual level, including the provider contract allowance amounts.

The following people spoke on this item:

Terry Brennand, SEIU Neal Johnson, SEIU 1000 J.J. Jelincic, CSEA

The Health Benefits Committee Meeting was recessed at 10:35 a.m. and convened into a Special Session to conduct the Request for Proposal – Third Party Medical Administrator for Self-Funded Plans Semi-Finalist Interviews and Selection. The following members were present:

George Diehr, Chair Priya Mathur, Vice Chair Marjorie Berte John Chiang Rob Feckner Debbie Endsley representing David Gilb Steve Coony representing Bill Lockyer Tony Oliveira Charles Valdes

Other Board members present:

Robert Carlson Kurato Shimada Maeley Tom

Beverly Craig, Acting Chief, Office of Health Plan Administration, presented information relative to the Request for Proposal process prior to the semi-finalist interviews. The Board authorized staff to solicit proposals for the Third Party Medical Administrator for Self-Funded Plans for a term of three years with the option to extend the term for up to two additional one year periods. CalPERS staff scored the technical and financial sections of each proposal. The highest scoring proposals were selected as semi-finalists. Staff then conducted on-site visits to each of the semi-finalists and required each semi-finalist to complete a claims repricing analysis, which scores were added to the technical scores. Staff computed a staff evaluation total score with a maximum of 800 points.

The purpose of the Special Session was for the Health Benefits Committee to interview the three semi-finalists, rank and score each of them, and select a finalist to recommend to the Board. Each semi-finalist would receive points proportionate to their ranking by the Committee. Rank 1 would receive 800 points, rank 2 would receive 700, and rank 3 would receive 600. The Committee score would then be added to the staff evaluation total score.

The interviews were conducted in alphabetical order: Aetna, Blue Cross of California, and UnitedHealthcare. Each semi-finalist made a fifteen-minute presentation to the Committee, followed by a thirty-minute session to respond to questions posed by the Committee.

The Committee recessed at 12:30 p.m. and reconvened at 1:15 p.m.

On **MOTION** by Marjorie Berte and **SECONDED** the Committee recommended ranking Aetna as number 3 and gave them a score of 600 points. UnitedHealthcare as number 2 and gave them a

score of 700 points, and Blue Cross of California as number 1 and gave them a score of 800 points.

An electronic roll call vote was taken. The results are as follows:

Steve Coony representing Bill Lockyer	YES
Debbie Endsley representing David Gilb	YES
George Diehr	YES
Rob Feckner	YES
John Chiang	YES
Marjorie Berte	YES
Priya Mathur	YES
Tony Oliveira	YES
Charles Valdes	NO

The final vote was 8 YES, 1 NO. The motion CARRIED.

The Request for Proposal – Medical Administrator for the Self-Funded Plans, semi-finalist total scores are:

	Staff Score	Committee Score	Total Score
Aetna	645	600	1245
Blue Cross of California	647	800	1447
UnitedHealthcare	567	700	1267

On **MOTION** by George Diehr, **SECONDED** and **CARRIED**, the Committee recommended the selection of Blue Cross of California as the finalist and further directed staff to begin contract negotiations for RFP number 2006-3937, and that in the event that staff, in its discretion, concludes that negotiations are unsuccessful, staff should begin contract negotiations with the next highest scoring finalist in succession, UnitedHealthcare, until agreement is reached.

The Special Session was concluded at 2:26 p.m.

There were no public comments.

Open Session reconvened at 2:26 p.m with Jim Zerio representing Bill Lockyer and Karen Green Ross representing John Chiang.

AGENDA ITEM 5 – IMPLEMENTATION OF OTHER POST-EMPLOYMENT BENEFITS (OPEB) PRE-FUNDING PROGRAM

As an action item, Ken Marzion, Assistant Executive Officer, Actuarial & Employer Services, presented a recommendation that the Committee recommend to the Board that implementation of the OPEB program continue and that CalPERS begin to accept, invest and track OPEB Contributions from Public Employees' Medical and Hospital Care Act (PEMHCA) Employers.

On **MOTION** by, Priya Mathur, **SECONDED** and **CARRIED**, the Committee recommended the Board approve staff's recommendation that the Implementation of the OPEB program continue and that CalPERS begin to accept, invest and track OPEB contributions from PEMHCA Employers.

AGENDA ITEM 7 - 2006 OPEN ENROLLMENT STATISTICS

Sandra Felderstein, Chief, Office of Health Policy and Program Support, presented information on 2006 Open Enrollment statistics. The information item included analyses of our subscriber's transfer choices during the 2006 CalPERS open enrollment period, and a change in the health plans included in the State of California's annuitant health benefit contribution (100/90) formula for 2008.

The following people spoke on this item:

Neal Johnson, SEIU 1000 Harvey Robinson, RPEA Donna Snodgrass, CSEA David Humphers, CSUS - ERFA

AGENDA ITEM 8 – SECOND READING – BLUE SHIELD OF CALIFORNIA'S EXCLUSIVE PROVIDER ORGANIZATION AND DIRECT CONTRACT COUNTIES

As an information item, Debbie Bennett, Office of Health Plan Administration, introduced Paul Markovich, Senior Vice President, Large Group Business Unit, Blue Shield Of California, who gave an update on the higher health care costs in exclusive provider organization and direct contract counties. Mr. Markovich presented an overview of four options to address the high costs of health care in these counties.

AGENDA ITEM 9 – SECOND READING – BLUE SHIELD OF CALIFORNIA'S HMO HIGH PERFORMANCE NETWORK OPTION FOR 2008

As an information item, Paul Markovich, Senior Vice President, Large Group Business Unit, Blue Shield Of California, discussed the Second Reading – Blue Shield of California's HMO High Performance Network Option for 2008, and will bring a more detailed analysis to the March 13, 2007, Health Benefits Committee Meeting.

AGENDA ITEM 10 – FIRST READING – POTENTIAL 2008 HEALTH PROGRAM BENEFIT DESIGN

As an information item, Stacie Sormano, Office of Health Policy and Program Support, presented a first reading on proposed benefit design options for CalPERS basic plans to help moderate premium increases and provide our members with incentives to obtain care in the most cost-effective, clinically beneficial setting.

AGENDA ITEM 11 – 2006 THIRD QUARTER SELF-FUNDED HEALTH PLANS FINANCIAL REPORT

As an information item, Bill Alameda, Office of Health Plan Administration, provided the Committee with an update on the status of the financial reserves for the self-funded health plans for the third quarter of 2006 (ending September 30, 2006).

AGENDA ITEM 12 - ASSISTANT EXECUTIVE OFFICER REPORT

As an information item, Gregory Franklin, Assistant Executive Officer, Health Benefits Branch, presented an update on the status of Blue Shield of California's Special Enrollment for Humboldt County and announced the public launch of the California Hospital Assessment and Reporting Taskforce (CHART) Web site, providing a ranked list of hospitals with ratings on clinical measures, mortality and patient experience of care.

AGENDA ITEM 13 – PROPOSED AGENDA FOR MARCH 13, 2007, HEALTH BENEFITS COMMITTEE MEETING

The proposed agenda for the March 13, 2007, Health Benefits Committee was accepted as presented with the addition of an item to address the status of contract negotiations on the Third-Party Medical Administrator for the self-funded health plans.

AGENDA ITEM 14 - PUBLIC COMMENT

There was no public comment.

The meeting was adjourned at 4 p.m.

The next meeting of the Committee is scheduled for March 13, 2007, in Sacramento, California, following adjournment of the Benefits and Program Administration Committee.

FRED BUENROSTRO
Chief Executive Officer